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MEMORANDUM FOR: EIC Secretariat

THROUGH: Chief, Economic Research, OER

THROUGH: Chief, Industrial Division, OER

FROM: Chairman, EIC Subcommittee on Industrial Machinery and Equipment.

SUBJECT: Annual Review of Activities and Accomplishments (FY 1958).

A. Activities of the Subcommittee during Fiscal Year 1958.

1. Review of the Intelligence Product in the Subcommittee's Field of Competence.

The Subcommittee considers that noticeable progress was made in FY 1958 in the production of intelligence on the industrial sectors of the Sino-Soviet Bloc, and that proposed research in FY 1959 will provide for further closure of observed gaps in research. Of particular note was the continuation and increase during the year of publication of official statistics on the industrial economies of the Soviet Bloc countries. However, it is considered that care must be exercised in the acceptance of such data. Independent confirmation of production figures in important areas is to be encouraged as a test of forthrightness of reporting, and problems are noted to exist with respect to definition of items included in reported figures on the machinery building industries. Establishment of the reliability generally of Bloc published data will have an important effect on industrial economic research, permitting a greater degree of effort to be applied to aggregative and interpretive studies of Bloc industrial development, leading to increased value and usefulness of the research product. Lessened need for intensive detailed production research on Soviet industries also will permit devoting more attention to the machine building industries of Communist China and various of the European Satellite countries.

2. Research and Collection Deficiencies

a. The Subcommittee notes that general progress is being made toward completion of the research program detailed in Annex A to its FY 1957 report, and that proposed FY 1959 inquiry will be directed in many instances toward gaps on which research has not previously been able to be done. Annex A to this report reflects newly initiated research as related to the gaps noted in the attachment to the Subcommittee's previous annual report.

b. The Subcommittee has deferred action on assembly of priority collection requirements pending updating of its report of priority research deficiencies which is expected to be completed in the near future.

c. Not applicable to this Subcommittee in FY 1958.

3. Review of Substantive Papers

a. The Subcommittee limited its review of substantive product in its field to two papers, as listed in sub-paragraph (b), one of which was produced externally for the Air Force, the second comprising an initial study by CIA/ORR on the subject of automation trends in the USSR. Additional reviews are planned for FY 1959, related to observed research deficiencies, studies on the metalforming machinery industries of the USSR and the Soviets, development of the industrial economy of China, machine tool production in the Soviets, and production of non-military tractors in the Soviets.

b. The following papers were reviewed in FY 1958:

Air Force (external research project), Planning Study of the Soviet Heavy Machine Building Industries (Phase I).

CIA/ORR ER-161, Trends in Automation in the USSR.

4. Review of Proposals for External Research

In response to EIC memorandum EIC-B-252, dated 8 October 1957, the Subcommittee reviewed, with the cooperation of Air Force representatives, the Air Force proposal for initiation of an external research project on "Process Analysis of the USSR Light and Medium Machine Building Industries." Reservations were expressed by a majority of the Subcommittee as to the methodology proposed and the probable validity of the finished study. Conclusions were reported by memorandum to the EIC.

5. Maintenance of Agreed Statistics.

As in FY 1957, the Subcommittee did not find among the participating agencies differences of estimates in its field requiring Subcommittee resolution.

6. Projects Undertaken at the Request of the EIC or Proposed to the EIC.

None.

7. Intelligence Research Techniques.

None.

8. Special Coordination Functions of the Subcommittee.

None.

9. Evaluation of the Role of the Subcommittee.

a. The Subcommittee has had the benefit of active interest and participation by the representatives of all the agencies numbered in its membership, and agreeable relations and a desire to be mutually helpful are apparent. It is the unanimous conclusion of the Subcommittee that usefulness to each other and to the intelligence community can be improved. Discussions have been held regarding revisions to the terms of reference and have resulted in question being raised as to accurate current definition of the Subcommittee's mission, as influenced by changes which have taken place in the research requirements of the participating agencies. As an initial step in reexamination of its appropriate mission, it is proposed in the near future that each participating agency will present in turn an explanation of its organization, research objectives and requirements, and suggestions as to the manner in which the Subcommittee can assist its interests. From information thus developed it is proposed to re-define the Subcommittee's mission, and to develop appropriate revised terms of reference.

b. There are no outstanding administrative problems hindering the Subcommittee's work. The members are gratified to note that the Department of the Navy, in response to a recommendation in the Subcommittee's FY 1957 report, has agreed to make available the services of an intelligence representative on a consulting basis when required.

3. Future Program of the Subcommittee

In addition to redefinition of its mission as may be required, and to appropriate revision of its terms of reference, the Subcommittee's basic objectives for FY 1959 continue substantially as stated in its last annual report, as follows:

1. To review significant substantive intelligence products in its field of interest.
2. To review progress toward closing of observed priority gaps in research, and to determine current priority deficiencies of collection.
3. To consider plans of IAC Agencies for initiation of external research within the Subcommittee's purview, and review progress of such activity.
4. To examine the validity of published official Soviet Bloc statistics relating to industrial machinery and equipment production.

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Attachment:

A - Progress Report on Priority Deficiencies of Research.